

New Economic Policy of 1921

The New Economic Policy (NEP) was an economic policy of the Soviet Union proposed by Vladimir Lenin in 1921 as a temporary relief for the Russian economy. As described by Lenin, the NEP was characterized by an economic system that would include a free market system under state control, while socialized state enterprises would operate on a profit basis.

Background of the New Economic Policy

Following the Russian Revolution, the Bolshevik, faction that followed the ideology of communism, had seized key cities of Russia. This, in turn, had led to the Russian Civil war from 1917-1922 where the Bolsheviks fought against counter-revolutionary forces. During the civil war, the Bolsheviks tried to regulate Russia's economy purely by decree. Farm and Factory workers were ordered to produce, food and goods were seized by decree.

While it warded off major difficulties in the short run, it caused major economic hardships and difficulties. Producers were not compensated for their labour stopped working altogether, leading to widespread shortages. The devastation caused by World War I further aggravated the plight of the people and reduced support for the Bolsheviks.

The diminished support meant that the Bolsheviks were facing the prospect of another revolution. This time it would be against them. By 1921 they had already faced many peasant revolts in provinces, angry food queues in the cities, strikes by workers not paid and fed for their labours during the requisitioning period as well as infighting between the Bolsheviks

Lenin responded by winding back war communism and relaxing Soviet economic policy. He unveiled the NEP at the Tenth Party Congress in March 1921.

What was the impact of the NEP?

With the introduction of the New Economic Policy, the practice of grain requisitioning by the government was ended by the government and the elements of free trade and capitalism was introduced.

Russian farmers were allowed to buy and sell their surplus foods at markets which reduced chances of hoarding and increased supply of food to the urban centres

Relatively speaking the NEP was successful in solving short-term economic problems but neither did it solve all of its problems nor did it produce immediate results. Its production rate remained stagnated throughout 1921 but it saw a significant boost in production in 1922 and beyond

By the mid-1920s, Russia's agricultural output had been restored to pre-World War I levels. Back in 1913, Russia had produced around 80 million tons of grain. By 1921, this had fallen to less than 50 million tons – but four years of the NEP saw it increase to 72.5 million tons. There were also knock-on improvements in industrial production and the wages of industrial workers, which doubled between 1921 and 1924.

End of the New Economic Policy

Vladimir Lenin passed away in 1924. Even when he was alive the NEP was criticised by the most ardent party members of the Bolsheviks because of its compromise with some capital elements and relinquishment of state control, but because Lenin considered it an “interim measure”, the opposition did little to scrap the policy altogether.

Despite Lenin's opinion that the NEP should last several decades at least until universal literacy was accomplished, it was only four years after his death was the NEP altogether abandoned by Joseph Stalin who had become the new leader of communist Russia. Stalin introduced full central planning, re-nationalized much of the economy, and from the late 1920s onwards introduced a policy of rapid industrialization. To this end, he enacted a system of collectivization and saw the need to quickly accumulate capital for the vast industrial programme that would form the basis of the Five Year Plan.

The Five Year Plan would first begin in 1928. Stalin was of the opinion that the NEP was insufficient to industrialise the Soviet Union at the pace it required. He felt only collectivised agricultural farms, instead of the original individual holdings specified under the NEP, would increase the pace of industrialisation at the level of the western nations.

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